

AUSTRALIAN ECONOMICS

AUSTRALIAN ECONOMICS WEEKLY

11 NOVEMBER 2011

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AUSTRALIA STILL WEATHERING THE STORM

- Events in Europe continue to evolve, with major developments taking place this week in both the economic and political spheres. Markets remain understandably nervous while a viable solution is yet to take shape. Australia is by no means immune to the considerable global financial market volatility; equities, the AUD and commodities were all directly affected this week. Aside from these very real and immediate global risks however, the underlying Australian economy remains solid, and the outlook remains firmly positive.
- *In Focus* this week, we note that **the RBA's two favoured monthly indicators of Australia's economic performance – the labour force and NAB business surveys – point to an economy that is holding up reasonably well.** While the Australian market remains priced for extremely large near-term cuts in interest rates by the RBA, these expectations remain excessively priced relative to the current evolution of Australia's economic fundamentals.
- **Looking further ahead, we estimate that the energy investment pipeline is likely to make up around one quarter of total Australian capital expenditure spending over the next three years.** A deeper look at this large energy investment pipeline in our second *In Focus* article this week reveals the impacts on employment demand, capital goods imports, production levels and exports. While the direct impact on employment may not be highly significant, there is likely to be a boost to growth and incomes. As such, second-round effects on the Australian economy may be quite large. We also address the key risks to these forecasts and provide an update recent developments in the energy industry.

THE WEEK AHEAD

- In **Australia**, the RBA minutes of November's Board meeting are likely to highlight the ongoing concerns around Europe, and a softening in wages and inflation forecasts, that led to its decision to cut the cash rate by 25bps to 4.5% at that meeting. As a result, wages data released next week will again be of importance. The RBA's Stevens will also speak.
- In **Europe**, the market focus will remain Italian and French bond yields. The ECB's Praet will speak after this week stating that the ECB has limited ability to act as a lender of last resort to EU nations. Data are likely to show a slowing in the economy and include Q3 GDP, CPI, industrial production and the ZEW survey. In the **UK**, CPI, jobless claims and retail sales data will be released.
- In **Asia**, **Japanese** the first read of Q3 GDP will be released ahead of the BoJ meeting.
- In the **US**, there are a host of data releases but the focus will likely be on the Philly Fed and Empire Fed manufacturing indices. The new orders component of the Philly Fed index rose in October, pointing to a possible rise in the headline index in coming months. Indeed, the market is expecting a rise to 10 in November (from 8.7 in October). Other data include building permits and housing starts, industrial production, retail sales, CPI and PPI.
- In **New Zealand**, card spending and business PMI data will be released.

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THE LATEST PULSE CHECK ON AUSTRALIA'S ECONOMY

KEY POINTS

- **The latest labour force and NAB business surveys – the RBA's two favoured monthly indicators of Australia's economic performance – continue to point to an economy that is holding up reasonably well, albeit with significant variations in activity by sector.** Business conditions weakened in October, following a rise in the previous month, and remain only a little below their long-term average despite continuing volatility and heightened uncertainty in global financial markets. Employment grew by 10.1k in October, following a revised 22.5k rise in September, and the unemployment rate fell to 5.2% from a revised 5.3% the previous month. While we (and probably the RBA) interpret these positive headline employment numbers with some caution, the labour market is still recording modest employment growth, albeit at rates which if sustained would see a modest rise in unemployment over time.
- **These results will not overly surprise the RBA**, which in its latest forecasts characterised the outlook for growth as broadly at trend, and with inflation in the middle of its target band. The RBA expects the unemployment rate to drift up in the near term, before returning back to around its current level as the economy strengthens in 2012.
- **The Australian market remains priced for extremely large near-term cuts in interest rates by the Reserve Bank**, with the market factoring a total of 150 bps in cuts to the cash rate by mid 2012. This implicitly reflects the view of markets that the European crisis will escalate dramatically further. Yet the RBA is not likely to significantly pre-empt such an escalation and hence, barring the eventuality of that event, **Australian monetary policy expectations remain excessively priced relative to the current evolution of Australia's economic fundamentals.**

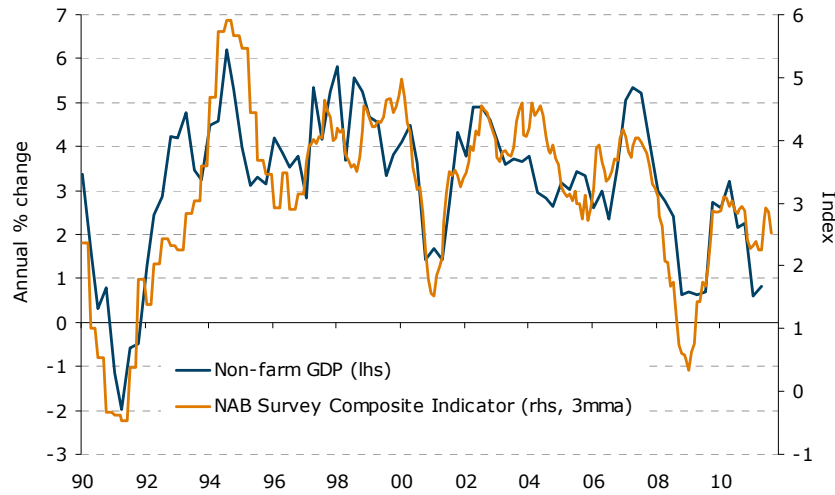
BUSINESS CONDITIONS WEAKENED IN OCTOBER, BUT HOLDING UP

The NAB survey for October suggests that the Australian economy is continuing to tread water. Not great, but not a bad result given the current bout of global economic uncertainty and financial market volatility. Although business conditions gave back some of last month's improvement (which was probably driven by the temporary fall in the A\$ below parity), business confidence continued to build on the previous month's gains, rising by a further 3pts to +2. Increasing speculation that the RBA would cut interest rates at the November meeting, in conjunction with European policymakers agreeing on a euro-zone rescue package, may have driven the improvement in confidence. But we suspect a turn up in post-flood reconstruction activity in Queensland is also behind the move, with the rebound in confidence notable in the construction sector.

Business conditions, which are the more closely watched indicator by the RBA, fell by 3pts to -1 and are now slightly below their long-term average, but well below their ten-year average.

The fall in business conditions saw our NAB composite measure fall slightly. It is now indicating that the pulse of non-farm GDP growth is around 2.5% y/y (note that the recent divergence between the NAB composite index and GDP reflects the impact of the Queensland floods). (See Figure 1.)

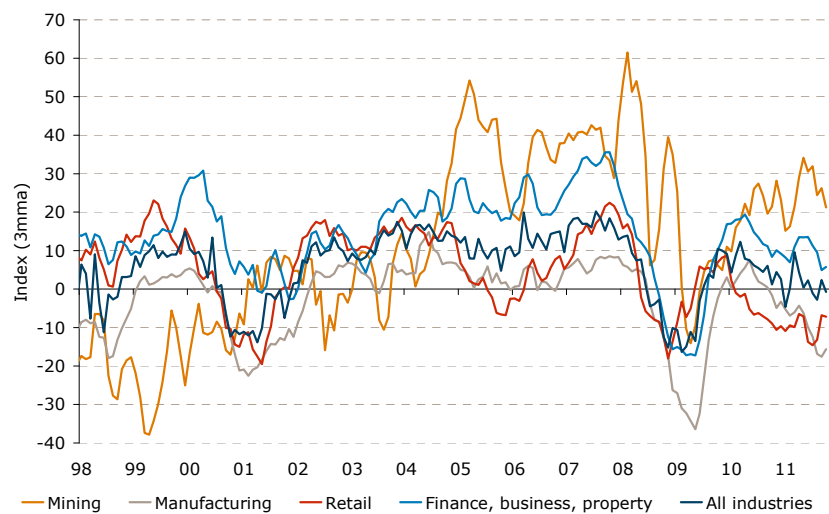
FIGURE 1: NAB COMPOSITE INDICATOR VS NON-FARM GDP



Sources: ABS and NAB

Business conditions fell across the majority of industries (see Figure 2). The mining sector recorded the sharpest fall, with conditions declining by 21 pts to +11.8. This deterioration in conditions was most likely driven by the sharp falls that have been witnessed in bulk commodity prices over the past few months. Indeed, iron ore prices are currently trading almost 30% below their September peak. Conditions in the transport and utilities sector also fell sharply, declining 14 pts to -2.8 and they remain well below their 10-year average of +10.4. Despite the sharp rebound in the A\$ from last month's lows, the retail and manufacturing sector managed to hold on to most of last month's gains. Conditions in these sectors edged only slightly lower, with retail falling by 3.3 pts and manufacturing by 1.3 pts. Nonetheless, conditions in both these industries remain relatively depressed compared to their historical experience.

FIGURE 2: BUSINESS CONDITIONS BY INDUSTRY

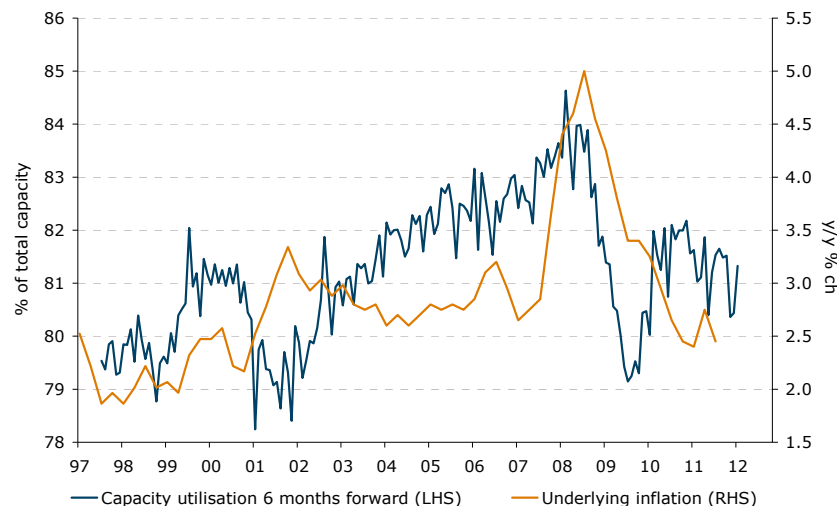


Source: NAB

The construction industry was the only industry to record a notable increase in business conditions, rising for the second consecutive month, by a further 5 pts. We expect this is partly related to post-flood reconstruction in Queensland.

In support of the RBA's recently downgraded inflation outlook, the survey also showed that price pressure and capacity constraints within the Australian economy have continued to ease (see Figure 3). Labour costs have continued to ease, easing to 0.6% q/q from 1.0% q/q last month. Indeed, this is the slowest pace of wages growth that has been recorded since August 2009 and remains well below the 10-year average of 1.2%. Furthermore, capacity utilisation fell to 80.8% from 81.3% and remains well below its 10-year average of 81.7%. Meanwhile, retail prices were largely flat. Trends in capacity utilisation in particular are markedly different from the experience in 2007-2008, when core inflation significantly breached the RBA's target band (see Figure 3).

FIGURE 3: CAPACITY UTILISATION AND CORE INFLATION



Sources: ABS and NAB

EMPLOYMENT STABILISES IN OCTOBER

Australian labour market conditions appear to have improved in September and October, although the trend growth rate remains relatively weak. Total employment rose by 10.1k in October, right on market expectations. Revisions to historical data led to a slight upward revision for September (now an increase in employment of +22.5k), and 'less bad' falls in employment in July and August. This took the change in employment over the six months to October to +36.8k, or half the jobs growth of the previous six months (+60.3k in the six months to April 2011).

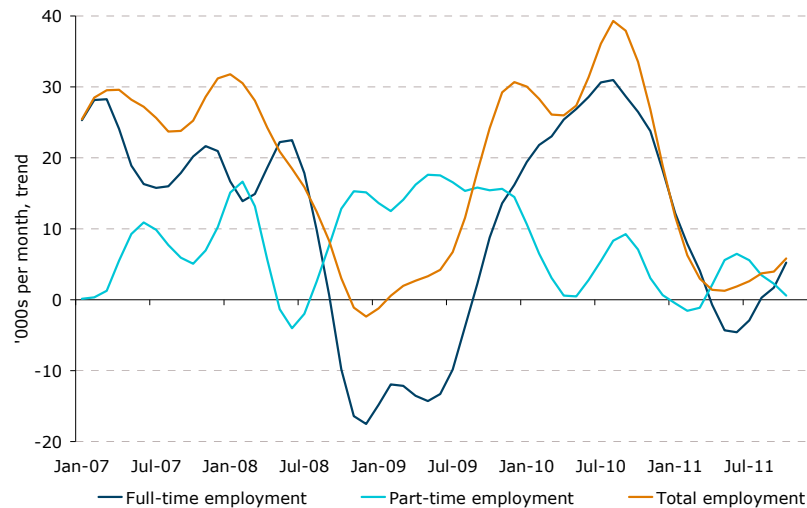
These two months of stronger employment data, plus the effects of revisions to the back data, have pulled the trend growth rate up from last month's zero reading. Indeed, on this month's data, trend employment growth looks to have hit a trough in May 2011 and is now recording growth of nearly 6,000 jobs per month (see Figure 4). Given around 10-12,000 jobs on average are required to prevent unemployment from rising, such an outcome if sustained, provides some case for a slight further reduction in interest rates.

One of the more promising details of the data was the growth in full-time employment. Two months of positive growth has pulled the trend more firmly into positive territory. This is confirmed by growth in aggregate hours worked per month, which looks to have stabilised in recent months, albeit at a very weak growth rate

(between 0.14% m/m to 0.16% m/m trend over the past seven months). Average hours worked per worker per month has now been increasing each month since March.

In contrast, part-time work looks to be decelerating and heading dangerously close to zero (0.02 m/m% trend). This may reflect the ongoing weakness seen in the retailing and hotel accommodation sectors this year, both of which employ large numbers of part-time and casual workers. Weakness in retailing is an especially significant risk for part-time employment, given this sector is the largest employer of part-time workers and the second largest employer overall (after health and welfare services).

FIGURE 4. TREND EMPLOYMENT GROWTH



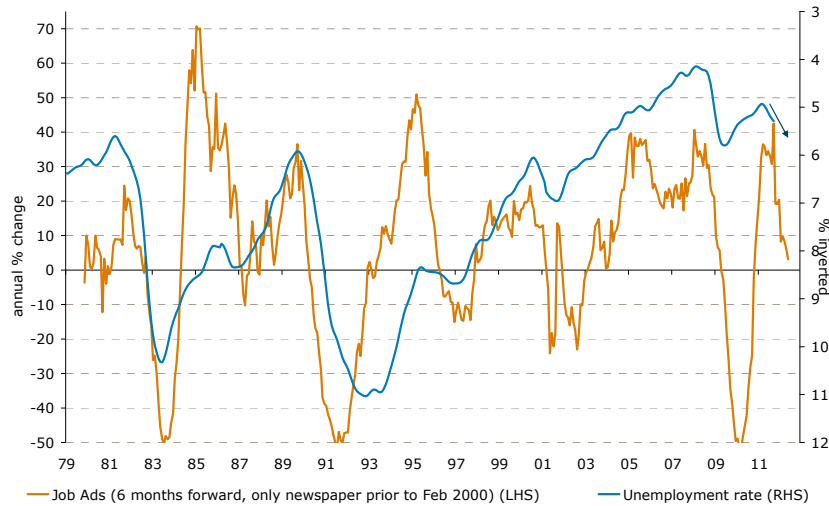
Source: ABS

In this month's release, the ABS noted that unusually large data volatility at the state level, plus larger than normal variations in sampling responses between this month and last month in Queensland, may have affected the survey. So it may be too early to tell whether this month's return to positive growth is real or simply a statistical aberration. These data will almost certainly be revised, and possibly by a significant margin. We are therefore viewing this month's apparent confirmation of a return to slightly positive jobs growth with some caution and again placing more reliance on the trend data, than month to month variations in the data.

Certainly, the forward indicators of labour demand, and especially the job ads data, are not yet indicating a turning point in Australia's slightly softening labour market, which adds to our sense of caution. The ANZ Job Advertisements series continues to soften and signal the risk of a further modest increase in unemployment (see Figure 5).

The SEEK index of new online advertisements was 2.8% weaker in October, with falls in job advertising evident across all states. Similarly, the NAB employment sub-index in the latest survey fell to -1 from +3 and is now sitting well below its 10-year average of +3.4. These indicators suggest that conditions in the labour market are continuing to soften and that unemployment may edge marginally higher in coming months.

FIGURE 5. ANZ JOB ADVERTISEMENTS AND UNEMPLOYMENT (TREND)



Sources: ABS and ANZ

IMPLICATIONS FOR MONETARY POLICY

The Australian market remains priced for extremely large near-term cuts in interest rates by the Reserve Bank, with the market factoring a total of 150bp in cuts to the cash rate by mid 2012 (see Figure 6). This implicitly reflects the views of markets that the European crisis will escalate dramatically further, causing much weaker European and world growth, with negative implications for Australian growth, commodity prices and national incomes.

FIGURE 6: MARKET MONETARY POLICY EXPECTATIONS

	Bp priced	Cumulative bp	Expected cash rate
Dec-11	-0.27	-0.27	4.22
Jan-12	-0.09	-0.36	4.13
Feb-12	-0.30	-0.66	3.83
Mar-12	-0.30	-0.95	3.54
Apr-12	-0.21	-1.16	3.33
May-12	-0.18	-1.34	3.15
Jun-12	-0.09	-1.44	3.05
Jul-12	-0.07	-1.51	2.98
Aug-12	-0.02	-1.53	2.97
Sep-12	-0.01	-1.53	2.96
Oct-12	0.02	-1.52	2.97
Nov-12	0.02	-1.49	3.00
Dec-12	0.07	-1.42	3.07

Source: Bloomberg

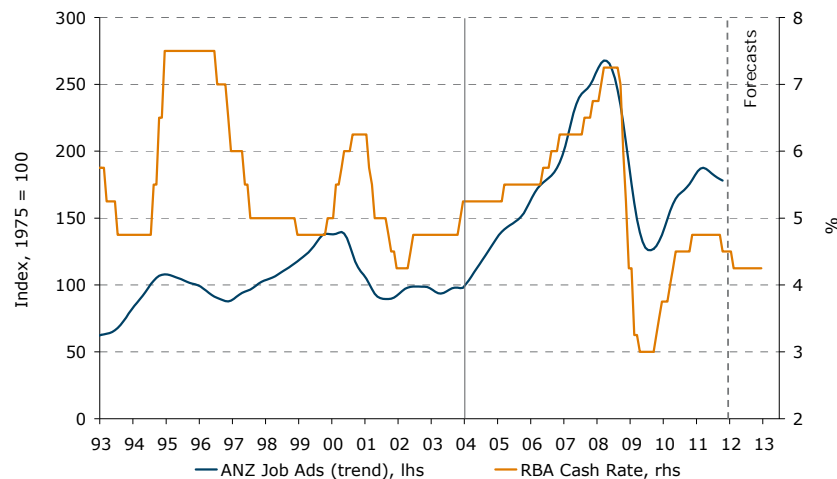
In a speech this week Dr Phil Lowe, RBA Assistant Governor (Economic), clarified that the RBA considered current monetary policy settings as neutral. (We had previously internally debated whether 'more neutral' meant 'neutral' or whether there might be a further 25 bps before neutral was achieved.) Dr Lowe also noted importantly that:

- US economic data had continued to improve and corporate profitability remained robust;
- Asia, while having slowed, continued to record relatively firm growth; and
- there were no signs of the dramatic cuts to capital spending that proved so damaging to the world economy in 2008 and 2009.

The above points suggest that the RBA is not likely to significantly pre-empt an escalation of the European crisis. Therefore, barring the eventuality of that crisis, Australian monetary policy expectations remain excessively priced relative to the current evolution of Australia's economic fundamentals.

The current trend for Australian job advertising compared to during the GFC reflects the situation well. During 2008–2009, job advertising collapsed and the RBA reduced rates very aggressively. While job advertising is modestly declining now, it certainly is not in the camp of requiring a major policy reaction (see Figure 7). Presently, interest rates are currently close to neutral, unemployment is still very low, and employment growth is running only a little below trend growth, suggesting only a modest drift up in the unemployment rate. As such, we would characterise the RBA's base case for monetary policy as being about fine-tuning in order to attempt to achieve employment growth closer to trend and a stable unemployment rate around 5%. This would seem to us to likely involve only one possible further 25 bps cut in interest rates in the near term in the absence of the actuality of the European disaster scenario.

FIGURE 7. JOB ADS VS CASH RATE, TREND



*Newspaper Job Ads till 2004. Total Job Ads from 2004.

Sources: ANZ and RBA

Markets, however, will likely continue to price for the threat of European disaster. The triggers for a shift to a much more aggressive easing action by the RBA are likely to involve some combination of: sharply weaker equity markets; much higher funding costs and/or a significant credit event globally and indications that capital-spending and job-hiring decisions are sharply retrenching.

In terms of thinking about what profile for interest rates might be adopted by the RBA in such an event, the strategy employed would obviously depend on just how the particular crisis was evolving. Without precise knowledge of the exact nature of such an event, we would make the following points:

- 1) In 2008, Australian interest rates were much higher, policy was explicitly restrictive and the economic situation was developing very negatively in real time. As such, it was appropriate for the RBA to make large easing moves to quickly achieve an expansionary setting for policy.
- 2) Now, interest rates are much lower and policy is neutral. The Bank therefore does not need to move as far to get interest rates to a clearly expansionary setting. And it does not have as much room to go before rates approach the

zero bound that exists in many major advanced nations. As such, in a disaster scenario, it seems likely that in the first instance, the Bank would probably only cut the policy rate by perhaps three or four 50bp notches from its current level of 4.5% down to 2.5–3%. This would leave room for further action should the shock to activity prove long-lasting.

In the more immediate horizon, a December rate cut (as currently fully priced by the market) is possible but appears unlikely, short of a dramatic escalation in European problems between now and then. With interest rates now broadly neutral, and the RBA forecasting growth around trend and inflation in the middle of its target band, the requirement to move quickly to a slightly stimulatory setting does not appear conclusive (and in our opinion, in the absence of European collapse, certainly less than a 50/50 bet). With the RBA's two preferred monthly economic health-check surveys pointing to an economy that is bearing up reasonably well at the moment, the Bank's domestic views are unlikely to have altered much between November and early December. As we get closer to the Board meeting, if Europe has not faltered sharply, we would expect pricing to reduce in the December IB contract.

One final point, in the current extremely volatile circumstances, it should not be assumed that the RBA will not have a Board Meeting in January. If something very dramatic was happening, a special Board Meeting could be held.

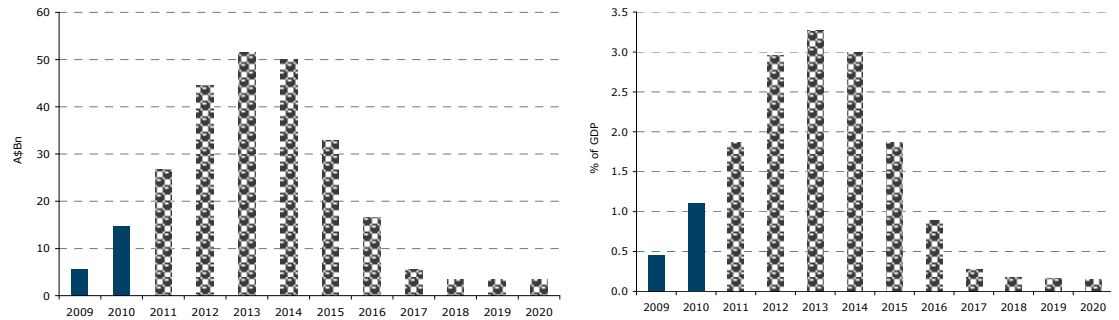
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ENERGY INVESTMENT PIPELINE

- **The energy investment pipeline is likely to make up around one quarter of total Australian CAPEX spend over the next three years.** This will be dominated by natural gas (LNG and coal seam gas projects). Australian energy investment is projected to triple between 2010 and 2013.
- Even after taking into account the relatively high import intensity of these projects, we estimate this investment will generate a contribution between ½ppt and ¾ppt to growth in 2012 and around ¼ppt in 2013.
- While the large amount of capital imports will subtract from GDP growth during the construction phase, the following expansion in production is likely to see a net exports contribution to growth of up to 1ppt in 2015.
- The net total contribution to GDP growth from the energy investment pipeline (i.e. investment plus net exports) is likely to average ¼ppts per annum from 2012 to 2017.
- A deeper look at this large energy investment pipeline (see Figure 8) reveals the impacts on employment demand, capital goods imports, production levels and exports. **While the direct impact on employment may not be highly significant, there is likely to be a boost to growth and incomes. As such, second-round effects on the Australian economy may be quite large.** We also address the key risks to these forecasts and update recent developments in the energy industry.
- **At this stage, provided we avoid a global credit crunch, we see minimal risk that current elevated global risks and falling commodity prices will disrupt Australia's energy investment pipeline.** Importantly, Australia's natural gas projects typically have 80% of production in long-term supply deals before moving forward with an investment decision. As a result, the downside risks to the LNG investment pipeline are limited somewhat. Furthermore, there has been a recent commencement of Chevron's 'Gorgon' project and confirmation of the 'Wheatstone'

project even amid recent market volatility. This is a major difference to 2008, where the GFC saw many mining projects put on hold.

FIGURE 8: ENERGY INVESTMENT PIPELINE (AS OF JUNE 2011)



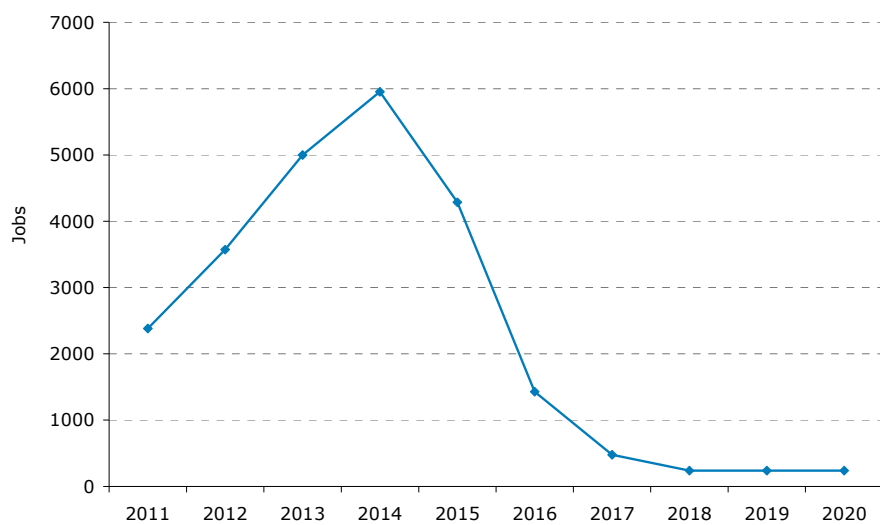
Source: Access economics, ABARES, state government budget papers and ANZ

NB: If the strong demand for natural gas continues over the coming years, the investment pipeline for 2016 and beyond is likely to be upwardly revised. This is because of a natural downward bias caused by uncertainty around investment decisions past 2016.

EMPLOYMENT

LNG projects are generally less labour-intensive (i.e. more capital-intensive) than mining projects, but there will still be some impact on labour demand. We expect the majority of the natural gas employment will occur during the construction stages. This is likely to be from 2012, with around 1,000 jobs for most projects (see Figure 9).

FIGURE 9: EMPLOYMENT CREATION



Source: Access Economics, ABARES, state government papers, Chevron, Woodside, Santos, ANZ

Once operational, these projects do not require large amounts of labour to run. Hence, the additional labour requirements past 2016 appear minimal thus far. Overall, the

labour required for natural gas projects is relatively small. We forecast the energy pipeline will directly create 21,000 jobs between 2011 and 2015, with the number of new jobs created peaking at around 6,000 in 2014. The number of indirect jobs created (such as the employment demands for those working in service sectors to support these projects) is much harder to ascertain.

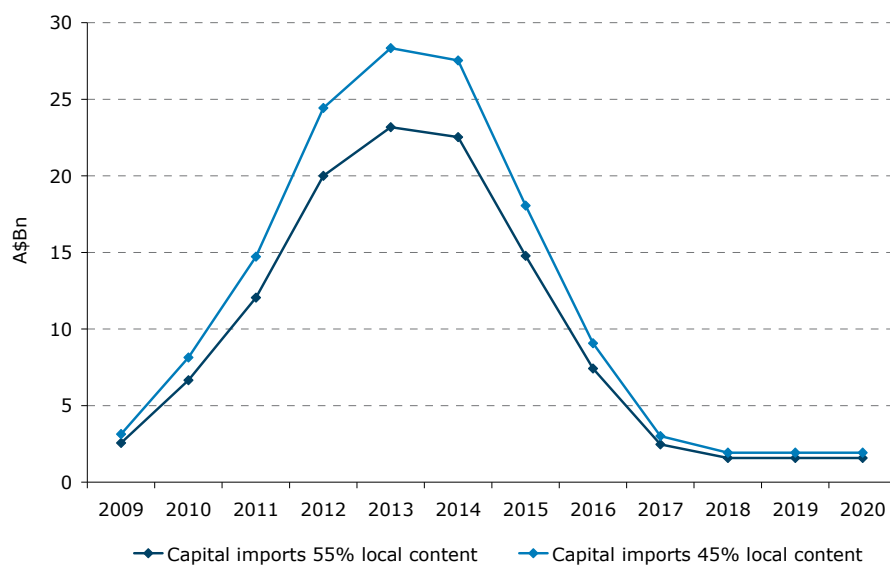
This employment impact will have little notable direct impact on aggregate employment in Australia. Currently, the Australian economy requires around 10,000 jobs per month to be created to absorb labour force growth and maintain the unemployment rate at 5.1 to 5.3%. But as population and labour force growth re-accelerate, it is likely that 20,000 jobs or more per month will need to be created in order to reduce the unemployment rate through 2013 to 2015.

CAPITAL IMPORTS

Natural gas projects are generally more capital-intensive than other mining projects, particularly during the construction stage. The natural gas investment pipeline will require a large amount of capital imports (see Figure 10). This occurs as a high proportion of the construction process can actually be made overseas, shipped to Australia and assembled locally. On the other hand, mining projects in Australia tend to be open cut mines. As a result, mining projects tend to be more labour intensive and contribute a larger amount to domestic activity. For the energy investment pipeline, we forecast a ramp up in capital imports over the coming years that will peak in 2013–2014 between A\$23Bn to A\$28Bn annually.

This will likely be between 6% and 7% of total imports for Australia¹, and will contribute to strong double-digit growth in total imports over the next few years. These forecasts are based on a ratio of overseas capital between 45% and 55% of the total project.

FIGURE 10: CAPITAL IMPORTS



Source: Access Economics, ABARES, state government papers, Chevron, Woodside, Santos and ANZ

¹ Based on ANZ’s total import forecasts for this period.

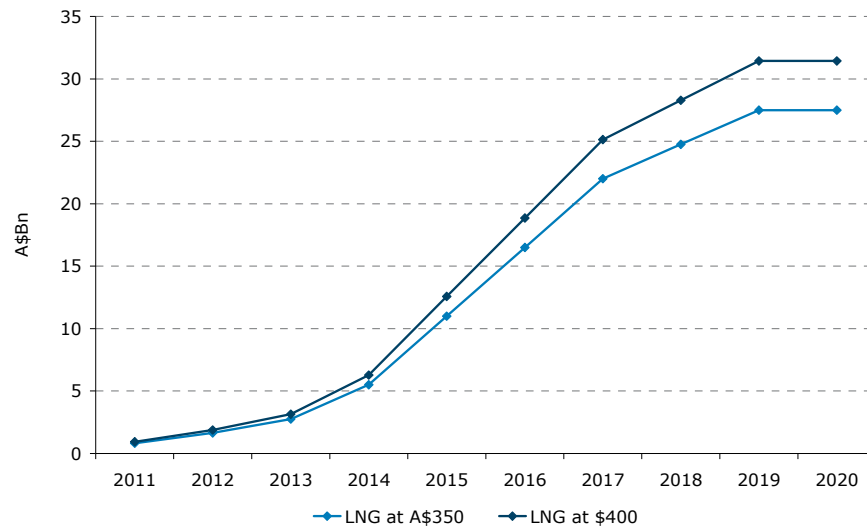
The relatively high import intensity of LNG investment does erode the net direct contribution to Australian GDP growth. We estimate the direct net contribution to growth from energy investment will be between $\frac{1}{2}$ ppt to $\frac{3}{4}$ ppt in 2012 and approximately $\frac{1}{4}$ ppt in 2013. Despite much of the investment occurring offshore, investment in Australia may potentially be greater than A\$25Bn per annum from 2012 through 2014 due to the large size of these projects.

INCREASED PRODUCTION AND EXPORTS

The energy investment pipeline will see a large uplift in production through the latter years of our forecasts. Australia's largest project to date, Gorgon, is likely to start producing LNG from mid 2014, leading the large uplift in natural gas output. We are then likely to see a ramp up in production from 2015 to 2018 as more projects become operational. This is a two to three year lag from the investment pipeline due to long construction times. We have been conservative in our forecasts for proposed natural gas production. If we include production from all possible natural gas projects till 2020, there may be as much as 120 million metric tonnes per annum (mmtpa) added to the existing 19.7mmtpa of production. We forecast an additional output of almost 80mmtpa by 2020 using modest realisation ratios.

Typically LNG projects have 80% of production in long-term supply deals before moving forward with the investment decision. As a result, there is a reduced risk to prices for LNG. We have projected that prices will remain between A\$350/mmtpa and A\$400/mmtpa, which is in line with current ranges and ANZ forecasts (see Figure 11).

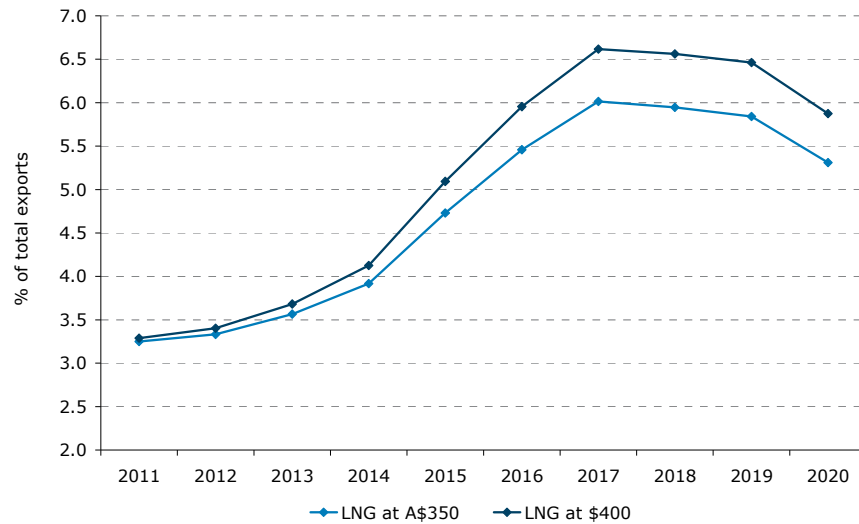
FIGURE 11: ADDITIONAL PRODUCTION (VALUE)



Source: Access Economics, ABARES, state government papers, Chevron, Woodside, Santos and ANZ

A large proportion of the additional LNG production is also likely to be exported. As a result, natural gas is expected to grow to around 6% of total exports and become one of Australia's top five exports (see Figure 12).

FIGURE 12: NATURAL GAS EXPORT IMPORTANCE

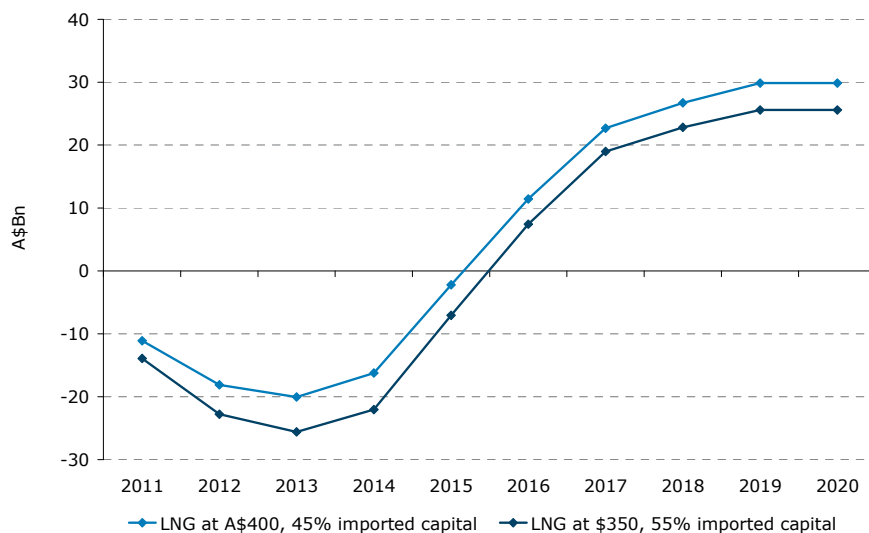


Source: Access Economics, ABARES, state government papers, Chevron, Woodside, Santos and ANZ

TRADE PROFILE

Combining the import and production (export) profiles leads to a positive contribution to trade from the energy investment pipeline (see Figure 13). We don't expect the energy pipeline will add to net exports until 2016, due to the large initial investment and capital imports for these projects. However, by 2020 these projects are likely to result in A\$25Bn to A\$30Bn in additional net exports.

FIGURE 13: NET EXPORTS FROM NEW LNG INVESTMENT

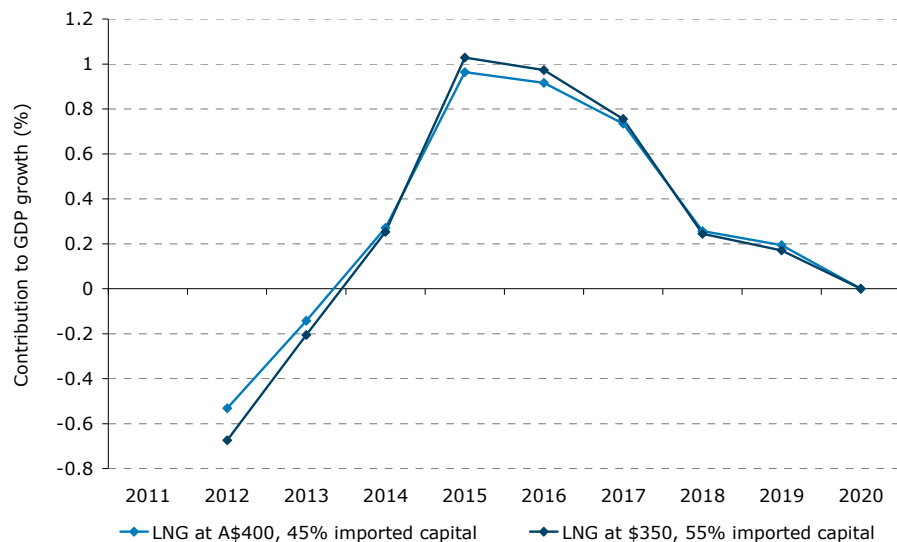


Source: Access Economics, ABARES, state government papers, Chevron, Woodside, Santos and ANZ

Therefore, the net exports contribution to GDP growth from the energy pipeline will likely be negative through 2012 and 2013 before adding as much as 0.8ppts to 1.0ppts through 2015 to 2016 (see Figure 14). However, during the construction phase where the net export contribution is negative, investment is likely to be a large contributor to

growth. As a result, the total contribution to growth during the initial years is likely to be minor but significant in the latter years.

FIGURE 14: NET EXPORTS CONTRIBUTION TO GROWTH



Source: Access Economics, ABARES, state government papers, Chevron, Woodside, Santos and ANZ

RISKS TO OUR FORECASTS

We believe the risks to our forecasts from Asian demand for natural gas are evenly balanced. However, downside risks are limited by long-term contract arrangements.

The major upside risk is through stronger Asian demand. The industrialisation of emerging economies and rising incomes for these populations may result in a prolonged investment cycle.

The major downside risks are through rising costs, making marginal projects unviable. Rising wages in the mining, construction and engineering industries along with capacity constraints on Australia's infrastructure have led to an upward revision to the costs of some projects. We have increased the cost of the Woodside 'Pluto 2' project from A\$11.2Bn to A\$14.9Bn and the Chevron 'Wheatstone' project from A\$25.5Bn to A\$29Bn over the past half year. However, solid margins for these projects still exist, which has recently seen the 'Wheatstone' project confirmed by Chevron.

An additional short-term risk is the greater than expected increase in global supply (particularly from Qatar) that may test near term prices and project viability. However, we believe that the strong demand for natural gas will overwhelm this increase in supply. Current prices and therefore margins for potential natural gas projects are likely to remain over the forecast horizon.

RECENT DEVELOPMENTS

The confirmation of the 'Wheatstone' project even amid recent market volatility is a promising sign that the large natural gas investment pipeline will go ahead. This project is reported to have 60% of potential output in long term contracts. This is less than the typical 80% and is a sign that Chevron is confident in the future demand for LNG. Furthermore, the Japanese natural disasters earlier in the year highlighted the risks to nuclear energy. As a substitute source, the prospects for natural gas have increased.

As opposed to 2008, when global uncertainty and a global credit crunch delayed Australia's investment pipeline, the energy investment pipeline is more advanced. An example of this is the 'Gorgon' project that has commenced within the last half year and has already committed more than A\$10Bn in investment towards Australian industry. We are also watching the 'Ichthys' gas field project, which recently obtained environmental approval. The final investment decision for this project is due in Q4 2011. Overall, we now believe that, should we see a downturn in energy prices, it is becoming less likely to cause delays or cancellations of projects, with many of these projects already committed.

CONCLUSION

The large energy pipeline for Australia looks to be advancing and will be a major factor in driving Australian economic growth over the coming years. In addition to the direct impacts from energy investment that are detailed here, there are also indirect impacts on the Australian economy. The income flows generated from these energy projects must also be accounted for in terms of company profits, government tax revenue, as well as the second-round effects of increased household incomes. These indirect impacts may also be quite large.

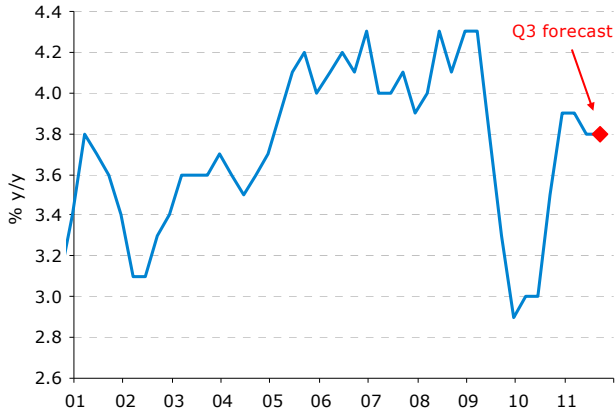
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- **Employment** grew by 10.1k in October, with September's strong result revised upwards to 22.5k. The rise in employment was driven by a 20.0k rise in full time employment, while part-time employment fell by 9.9k. Aggregate hours worked per month and average hours worked per month both grew by 0.6% m/m in October.
- The **unemployment rate** fell to 5.2 in October after September's unemployment rate was revised up to 5.3% (previously 5.2%).
- The **ANZ Job Advertisement Series** fell by 0.7% m/m in October with the annual growth rate slowing to 1.8%. Newspaper job ads were 2.7% lower in October, while internet job advertising decreased by 0.6% m/m. In trend terms, total job ads fell by 0.6% m/m in October after falling by 0.7% in September.
- The **NAB Business** conditions index gave back some of last month's gains, falling by 3pts to -1. However, business confidence continued to build on the previous month's gains rising by a further 3pts to +2. Forward orders rose 2pts to -2 while stocks fell 3 pts to -3.
- The number of owner-occupier **housing finance** commitments increased 2.2% in September (1.0% higher excluding refinancing) to be 7.6% higher over the year (0.2% lower ex-refin.). The value of total housing finance commitments was 1.0% higher in September (+0.5% ex-refin.) to be 4.1% higher year-on-year. Within this, both owner-occupier and investor approvals were higher in the month (+0.7% and +1.9%, respectively). First home buyer activity showed solid growth for the second consecutive month in September, with its share of the total value of approvals (ex-refin.) increasing to 14.2% (compared to 12.9% in July). Overall, the data show that headline growth in housing finance was again mainly driven by refinancing activity as competition amongst banks for housing finance intensifies. Nonetheless, underlying housing finance is slowly improving amid an ongoing uncertain economic backdrop.
- The **Westpac Consumer Confidence Index** rose 6.2 points to 103.4 in November after the latest 25bp rate cut from the RBA. The expectations index rose 7.3pts to 100.9. The consumer sentiment index has now risen for four consecutive months.
- Australia's **trade** surplus fell by A\$0.39bn to A\$2.6bn in September as exports fell 2.5% m/m, more than offsetting a smaller 1.3% m/m decline in imports. Net exports are forecast to subtract around $\frac{3}{4}$ ppt from Q3 2011 GDP growth due to a continued slow return of Queensland coal production and an uplift in both consumer and capital goods imports over the quarter.
- The **AiG Performance of Construction Index** rose 4.7 points to 34.7 (less than 50 indicates contraction in construction). However, the 8.0pts rise in new orders is a welcome sign.
- **Consumer inflation expectations** moderated in November to 2.5% annually. Furthermore, wage expectations also moderated to 5.0% from 6.1% in October.

DATA PREVIEW

WAGE PRICE INDEX Q3



16 NOV: WAGE PRICE INDEX (Q3)

ANZ: +1.0% q/q, +3.8% y/y

Market: +0.9% q/q, +3.8% y/y

Last: +0.9% q/q, +3.8% y/y

The Q3 wage price index will show the impact of this year's minimum wage decision (although seasonal adjustment will spread it out somewhat). This year around 1.4 million workers (12% of the workforce) will benefit from the Australian minimum wage increasing to \$589.3 per week or \$15.51 per hour. This is a 3.4% increase year on year, smaller than the increase last year (4.8%, but this followed a freeze the year before due to the GFC). The minimum wage increase also tends to flow through by setting a benchmark for lower skilled workers. For other workers, labour market conditions are relatively soft at present, so we expect any wage increases on top of this to be concentrated in higher paid and specialised professional categories. (JT)

DATA & EVENT CALENDAR

WEEK STARTING 14 NOVEMBER

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST	
11-15 NOV	CH	Money Supply - M0 y/y	OCT	--	--	12.7%			
		Money Supply - M1 y/y	OCT	9.3%	--	8.9%			
		Money Supply - M2 y/y	OCT	13.0%	--	13.0%			
		New Yuan Loans	OCT	500.0B	--	470.0B			
13-Nov	GE	World Bank's Zoellick Holds Speech at Berlin KfW Branch						18:00	04:00
Monday	NZ	Performance Services Index	OCT	--	--	53.2	22:30	08:30	
14-Nov	JN	Retail Sales Ex Inflation q/q	3Q	--	0.6%	0.9%	22:45	08:45	
		GDP Annualized	3Q P	5.9%	--	-2.1%	00:50	10:50	
	JN	GDP Deflator y/y	3Q P	-2.2%	--	-2.2%	00:50	10:50	
		Gross Domestic Product q/q	3Q P	1.5%	--	-0.5%	00:50	10:50	
	JN	Nominal GDP q/q	3Q P	1.4%	--	-1.5%	00:50	10:50	
		Capacity Utilization m/m	SEP F	--	--	2.4%	05:30	15:30	
	JN	Industrial Production m/m	SEP F	--	--	-4.0%	05:30	15:30	
		Industrial Production y/y	SEP F	--	--	-4.0%	05:30	15:30	
	EU	Euro-Zone Ind. Prod. sa m/m	SEP	-1.5%	--	1.6%	10:00	20:00	
		Euro-Zone Ind. Prod. wda y/y	SEP	--	--	6.0%	10:00	20:00	
			ECB Calls for Bids in 7-Day Main Refinancing Tender					14:30	00:30
	14-17 NOV	CH	Actual FDI y/y	OCT	--	--	7.9%		
	14-18 NOV	NZ	REINZ House Sales y/y	OCT	--	--	21.1%		
			REINZ Housing Price Index	OCT	--	--	3279.2		
JN		REINZ Housing Price Index m/m	OCT	--	--	1.7%			
		Nationwide Dept. Sales y/y	OCT	--	--	-2.4%			
JN		Tokyo Dept. Store Sales y/y	OCT	--	--	-3.6%			
		Nationwide Consumer Confidence	OCT	--	--	45			
US		MBA Mortgage Foreclosures	3Q	--	--	4.4%			
		Mortgage Delinquencies	3Q	--	--	8.4%			
Tuesday		NZ	Non Resident Bond Holdings	OCT	--	--	62.9%	03:00	13:00
15-Nov		AU	Fonterra Global Dairy Auction						
			New Motor Vehicle Sales m/m	OCT	--	--	-1.5%	01:30	11:30
		AU	New Motor Vehicle Sales y/y	OCT	--	--	1.3%	01:30	11:30
			Reserve Bank's Board November Minutes					01:30	11:30
		JN	Tokyo Condominium Sales y/y	OCT	--	--	16.7%	05:00	15:00
	EU	ECB's Praet Speaks at Pension Funds Conference in Frankfurt						00:00	10:00
		Euro-Zone GDP sa q/q	3Q A	0.2%	--	0.2%	10:00	20:00	
		Euro-Zone GDP sa y/y	3Q A	1.4%	--	1.6%	10:00	20:00	
		Euro-Zone Trade Balance	SEP	--	--	-3.4B	10:00	20:00	
		Euro-Zone Trade Balance sa	SEP	-1.0B	--	-1.0B	10:00	20:00	
		ZEW Survey (Econ. Sentiment)	NOV	--	--	-51.2	10:00	20:00	
			ECB Announces Allotment in 7-Day Main Refinancing Tender					10:15	20:15
		GE	GDP nsa y/y	3Q P	--	--	--	07:00	17:00
	GDP sa q/q		3Q P	0.5%	--	0.1%	07:00	17:00	
GDP wda y/y	3Q P		2.6%	--	--	07:00	17:00		
Zew Survey (Current Situation)	NOV		35	--	38.4	10:00	20:00		
UK	ZEW Survey (Econ. Sentiment)	NOV	-52	--	-48.3	10:00	20:00		
	Core CPI y/y	OCT	3.2%	--	3.3%	09:30	19:30		
		OCT	0.1%	--	0.6%	09:30	19:30		
	CPI m/m	OCT	5.1%	--	5.2%	09:30	19:30		
		OCT	--	--	237.9	09:30	19:30		
	RPI m/m	OCT	0.2%	--	0.8%	09:30	19:30		
	RPI y/y	OCT	5.6%	--	5.6%	09:30	19:30		
	RPI Ex Mort Int.Payments y/y	OCT	5.7%	--	5.7%	09:30	19:30		

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Tuesday	US	Chicago Fed Conference on Increases in Farmland Values					05:00	15:00
15-Nov		Fed's Evans (voter) Speaks on Dual Mandate in New York					13:00	23:00
(cont.)		Advance Retail Sales	OCT	0.3%	--	1.1%	13:30	23:30
		Empire Manufacturing	NOV	-2.3	--	-8.48	13:30	23:30
		Fed's Bullard (non-voter) to Speak on Economy in St. Louis					13:30	23:30
		PPI Ex Food & Energy m/m	OCT	0.1%	--	0.2%	13:30	23:30
		PPI Ex Food & Energy y/y	OCT	2.9%	--	2.5%	13:30	23:30
		Producer Price Index m/m	OCT	-0.1%	--	0.8%	13:30	23:30
		Producer Price Index y/y	OCT	6.3%	--	6.9%	13:30	23:30
		Retail Sales Ex Auto & Gas	OCT	0.3%	--	0.5%	13:30	23:30
		Retail Sales Less Autos	OCT	0.2%	--	0.6%	13:30	23:30
		Business Inventories	SEP	0.2%	--	0.5%	15:00	01:00
		Fed's Williams (non-voter) Speaks in Scottsdale, Arizona					15:08	01:08
		Fed's Evans (voter) Gives CNBC Interview					16:00	02:00
		Fed's Fisher (voter) Speaks on Too Big to Fail in New York					17:30	03:30
	CA	Manufacturing Sales m/m	SEP	1.0%	--	1.4%	13:30	23:30
Wednesday	AU	Westpac Leading Index m/m	SEP	--	--	0.8%	00:30	10:30
16-Nov		DEWR Internet Skilled Vacancies m/m	OCT	--	--	-1.3%	01:00	11:00
		Wage Cost Index q/q	3Q	0.9%	1.0%	0.9%	01:30	11:30
		Wage Cost Index y/y	3Q	3.8%	3.8%	3.8%	01:30	11:30
		AOFM Auctions A\$650m of May 2021 Bonds						
	JN	BOJ Target Rate	Nov-11	0.1%	--	0.1%	14:00	00:00
		Housing Loans y/y	3Q	--	--	2.4%	00:50	10:50
	EU	EU 25 New Car Registrations	OCT	--	--	0.7%	07:00	17:00
		Euro-Zone CPI - Core y/y	OCT	1.7%	--	1.6%	10:00	20:00
		Euro-Zone CPI m/m	OCT	0.3%	--	0.8%	10:00	20:00
		Euro-Zone CPI y/y	OCT	3.0%	--	3.0%	10:00	20:00
	UK	Average Weekly Earnings 3M/y/y	SEP	2.5%	--	2.8%	09:30	19:30
		Claimant Count Rate	OCT	5.1%	--	5.0%	09:30	19:30
		ILO Unemployment Rate (3mths)	SEP	8.2%	--	8.1%	09:30	19:30
		Jobless Claims Change	OCT	23.5K	--	17.5K	09:30	19:30
		Weekly Earnings exBonus 3M/y/y	SEP	1.7%	--	1.8%	09:30	19:30
		Bank of England Inflation Report					10:30	20:30
		Bank of England Releases Quarterly Inflation Report					10:30	20:30
	US	MBA Mortgage Applications	Nov-11	--	--	10.3%	12:00	22:00
		Consumer Price Index m/m	OCT	0.0%	--	0.3%	13:30	23:30
		Consumer Price Index y/y	OCT	3.6%	--	3.9%	13:30	23:30
		Consumer Price Index nsa	OCT	226.651	--	226.889	13:30	23:30
		CPI Core Index sa	OCT	--	--	226.137	13:30	23:30
		CPI Ex Food & Energy m/m	OCT	0.1%	--	0.1%	13:30	23:30
		CPI Ex Food & Energy y/y	OCT	2.1%	--	2.0%	13:30	23:30
		Net Long-term TIC Flows	SEP	--	--	\$57.9B	14:00	00:00
		New York Fed's Dahlgren (non-voter) to Speak on Panel in Washington, DC					14:00	00:00
		Total Net TIC Flows	SEP	--	--	\$89.6B	14:00	00:00
		Capacity Utilization	OCT	77.7%	--	77.4%	14:15	00:15
		Industrial Production	OCT	0.4%	--	0.2%	14:15	00:15
		NAHB Housing Market Index	NOV	17	--	18	15:00	01:00
		Fed's Lacker (non-voter) Speaks on Credit Allocation in Washington					16:15	02:15
		Fed's Rosengren (non-voter) Speaks on Economy in Boston					17:45	03:45

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
Thursday 17-Nov	NZ	Producer Prices- Inputs q/q	3Q	--	1.2%	0.9%	22:45	08:45
		Producer Prices- Outputs q/q	3Q	--	0.8%	1.4%	22:45	08:45
	AU	RBA's Stevens Speaks at Financial Services Event in Sydney					22:30	08:30
		Average Weekly Wages q/q	AUG	--	--	1.2%	01:30	11:30
		Average Weekly Wages y/y	AUG	--	--	4.4%	01:30	11:30
		RBA Foreign Exchange Transactn	OCT	--	--	641M	01:30	11:30
		Foreign Reserves	OCT	--	--	A\$44.9B	06:30	16:30
	JN	Foreign Buying Japan Bonds	Nov-11	--	--	¥229.6B	00:50	10:50
		Foreign Buying Japan Stocks	Nov-11	--	--	-¥101.5B	00:50	10:50
		Japan Buying Foreign Bonds	Nov-11	--	--	-¥1645.0B	00:50	10:50
		Japan Buying Foreign Stocks	Nov-11	--	--	-¥190.4B	00:50	10:50
		Machine Tool Orders y/y	OCT F	--	--	25.9%	07:00	17:00
	CH	Conference Board China September Leading Economic Index					03:00	13:00
	EU	Construction Output sa m/m	SEP	--	--	0.2%	10:00	20:00
		Construction Output WDA y/y	SEP	--	--	2.5%	10:00	20:00
	UK	Retail Sales Ex Auto Fuel m/m	OCT	--	--	0.7%	09:30	19:30
		Retail Sales Ex Auto Fuel y/y	OCT	--	--	0.4%	09:30	19:30
		Retail Sales w/Auto Fuel m/m	OCT	-0.2%	--	0.6%	09:30	19:30
		Retail Sales w/Auto Fuel y/y	OCT	0.0%	--	0.6%	09:30	19:30
	US	Building Permits	OCT	600K	--	589K	13:30	23:30
		Building Permits m/m	OCT	1.9%	--	-5.0%	13:30	23:30
		Continuing Claims	Nov-04	--	--	3615K	13:30	23:30
		Housing Starts	OCT	610K	--	658K	13:30	23:30
		Housing Starts m/m	OCT	-0.073	--	--	13:30	23:30
		Initial Jobless Claims	Nov-11	--	--	390K	13:30	23:30
		Bloomberg Consumer Comfort	Nov-13	--	--	-51.6	14:45	00:45
		Bloomberg Economic Expectations	NOV	--	--	-45	14:45	00:45
		Philadelphia Fed.	NOV	10	--	8.7	15:00	01:00
		Fed's Pianalto (non-voter) Speaks on Economy in Kentucky					17:30	03:30
		US Treasury Auctions 10-year TIPS						
	CA	Int'l Securities Transactions	SEP	--	--	7.92B	13:30	23:30
Friday 18-Nov	AU	AOFM Auctions A\$750m of Oct 2014 Bonds						
	CH	MNI November Flash Business Sentiment Survey					02:35	12:35
	GE	Producer Prices m/m	OCT	0.1%	--	0.3%	07:00	17:00
		Producer Prices y/y	OCT	5.3%	--	5.5%	07:00	17:00
	US	Leading Indicators	OCT	0.5%	--	0.2%	15:00	01:00
		Fed's Williams (non-voter) Speaks in Chile					18:50	04:50
	CA	Bank Canada CPI Core m/m	OCT	0.1%	--	0.5%	12:00	22:00
		Bank Canada CPI Core y/y	OCT	1.9%	--	2.2%	12:00	22:00
		Consumer Price Index	OCT	--	--	120.6	12:00	22:00
		Consumer Price Index m/m	OCT	0.1%	--	0.2%	12:00	22:00
		Consumer Price Index y/y	OCT	2.7%	--	3.2%	12:00	22:00
		Leading Indicators m/m	OCT	0.1%	--	-0.1%	13:30	23:30
	PO	Bank of Portugal Releases Monthly Economic Indicators Report					13:00	23:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
14 NOVEMBER NZ: Real Retail Sales (Q3) JP: GDP (Q3 P), Ind. Production (Sep F) EU: Ind. Production (Sep)	15 NOVEMBER NZ: Fonterra Global Dairy Auction AU: RBA Minutes EU: GDP (Q3 A), ZEW Survey (Nov), Trade (Sep), ECB's Praet Speaks GE: GDP (Q3 P), ZEW Survey (Nov) UK: CPI (Oct) US: PPI (Oct), Retail Sales (Oct), Business Inventories (Sep), Empire Manuf. (Nov)	16 NOVEMBER AU: DEWR Skilled Vacancies (Oct), WPI (Q3) JP: BoJ Rates Decision EU: CPI (Oct) UK: Unemployment rate (Sep), Jobless Claims Change (Oct), BoE Inflation Report US: Ind. Production (Oct), CPI (Oct), TIC flows (Sep)	17 NOVEMBER NZ: PPI (Q3) AU: Ave Weekly Wages (Aug Q), RBA's Stevens Speaks EU: Construction Output (Sep) UK: Retail Sales (Oct) US: Housing Starts (Oct), Building Permits (Oct), Philly Fed Manuf. (Nov)	18 NOVEMBER GE: PPI (Oct) US: Leading Indicators (Oct) CA: CPI (Oct) 20 November: Spanish General Election
21 NOVEMBER AU: RBA's Debelle Speaks JP: Trade (Oct) EU: Current Account (Sep) US: Chicago Fed Nat Activity (Oct), Existing Home Sales (Oct)	22 NOVEMBER NZ: Net Migration (Oct) EU: ECB's Coene Speaks US: GDP (Q3 S), Richmond Fed Manuf. (Nov), FOMC Minutes, Fed's Kocherlakota Speaks CA: Retail Sales	23 NOVEMBER AU: Construction Work Done (Q3) JP: Thanksgiving Day Holiday EU: Industrial New Orders (Sep) UK: BoE Minutes US: Durable & Capital Goods Orders (Oct), Personal Income & Spending (Oct), PCE Core (Oct), Kansas City Manuf. (Nov), FOMC Minutes	24 NOVEMBER NZ: Trade (Oct) AU: RBA's Stevens Speaks GE: GDP (Q3), IFO Survey (Nov) UK: GDP (Q3 P) US: Thanksgiving Day Holiday	25 NOVEMBER JP: CPI (Oct) CH: MNI Business Conditions Survey (Nov)
28 NOVEMBER NZ: RBNZ Business Confidence (Nov) GE: CPI (Nov) UK: Hometrack Housing Survey (Nov) US: New Home sales (Oct), Dallas Fed Manufacturing (Nov)	29 NOVEMBER JP: Jobless Rate (Oct), Retail Trade (Oct) EU: Consumer Confidence (Nov F), Economic, Industrial & Services Confidence (Nov) UK: Mortgage Approvals (Oct) US: Case Shiller House Prices (Sep), Consumer Confidence (Nov), Fed's Yellen Speaks CA: Current Account (Q3)	30 NOVEMBER NZ: Building Permits (Oct) AU: Private Sector Credit (Oct), RP-Data Rismark House Prices (Oct) JP: Industrial Production (Oct), Housing Starts (Oct) EU: CPI Estimate (Nov), Unemployment rate (Oct) GE: Unemployment (Oct) US: Fed's Beige Book, ADP Employment (Nov), Chicago PMI (Nov), Pending Home Sales (Oct) CA: GDP (Q3)	1 DECEMBER NZ: Terms of Trade (Q3) AU: Retail Sales (Oct) CH: PMI Manuf. (Nov) EU: PMI Manuf. (Nov F) GE: PMI Manuf. (Nov F) UK: PMI Manuf. (Nov) US: ICSC Chain Store Sales (Nov), ISM Manuf. (Nov), Construction Spending (Oct)	2 DECEMBER AU: Building Approvals (Oct) JP: Capital Spending (Q3) EU: PPI (Oct) UK: PMI Construction (Nov) US: Non-farm Payrolls (Nov) CA: Employment (Nov) 3 December CH: Non-Manuf. PMI (Nov)
5 DECEMBER AU: Inventories (Q3), Company Profits (Q3), ANZ Job Ads (Nov) EU: PMI Services (Nov F), Retail Sales (Oct), Sentix Investor Confidence (Dec) GE: PMI Services (Nov F) UK: PMI Services US: ISM Non-Manuf. (Nov), Factory Orders (Oct)	6 DECEMBER AU: Current Account (Q3), ABARES Crop Report (Q4), RBA Rates Decision EU: GDP (Q3 P) GE: Factory Orders (Oct) CA: Building Permits (Oct), Ivey PMI (Nov), BoC Rates Decision	7 DECEMBER AU: GDP (Q3) GE: Ind. Production (Oct) UK: Ind. Production (Oct), Manuf. Production (Oct) US: Consumer Credit (Oct)	8 DECEMBER NZ: RBNZ Rates Decision , Manufacturing Activity (Q3) AU: Employment (Nov), RBA's Stevens Speaks JP: Current Account (Oct), Machine Orders (Oct) EU: ECB Rates Decision UK: BoE Rates Decision CA: Housing Starts (Nov), House Prices (Oct), BoC Publishes Financial System Review	9 DECEMBER NZ: ANZ Consumer Confidence (Dec) JP: GDP (Q3 F) CH: Industrial Production (Nov), Retail Sales (Nov), CPI (Nov) GE: Trade (Oct), Current Account (Oct), CPI (Nov F) UK: PPI (Nov), Trade (Oct) US: Trade (Oct), Uni Michigan Confidence (Dec P) CA: Merchandise Trade (Oct)
12 DECEMBER AU: Housing Finance (Oct), Trade (Oct)	13 DECEMBER NZ: Food Prices (Nov) AU: Dwelling Starts (Q3), NAB Business Survey (Nov) EU: ZEW (Dec) UK: CPI (Nov) US: NFIB Small Business Optimism (Nov), Retail Sales (Nov), Business Inventories (Oct), FOMC Rates Decision	14 DECEMBER AU: Westpac Consumer Confidence (Dec), RBA's Battellino Speaks JP: Industrial Production (Oct F) EU: CPI (Nov), Industrial Production (Oct) UK: Jobless Claims (Nov)	15 DECEMBER NZ: Business NZ PMI (Nov) AU: RBA Bulletin JP: Tankan Manufacturing Index (Q4) EU: Employment (Q3) UK: Retail Sales (Nov) US: PPI (Nov), Current Account (Q3), Empire Fed Manufacturing Index (Dec), Philly Fed Manufacturing Index (Dec), Industrial Production (Nov)	16 DECEMBER EU: Trade (Oct), ECB's Draghi, King, Bini Smaghi Speak US: CPI (Nov)

CENTRAL BANK RELEASES FOR 2011-12

SEPTEMBER 2011	OCTOBER 2011	NOVEMBER 2011	DECEMBER 2011
6th – RBA 7th – BoJ 7th – BoC 8th – ECB 8th – BoE 12th – BoJ Minutes 15th – RBNZ 28th – RBNZ MP Statement 15th – SNB 20th – RBA Minutes 20th – FOMC 21st – BoE Minutes	4th – RBA 6th – ECB 6th – BoE 7th – BoJ 11th – FOMC Minutes 13th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 25th – BoC 27th – RBNZ 27th – BoJ	1st – RBA 1st – BoJ Minutes 2nd – FOMC 3rd – ECB 10th – BoE 16th – BoJ 18th – RBA Minutes 21st – BoJ Minutes 22nd – FOMC Minutes 23rd – BoE Minutes	6th – RBA 6th – BoC 8th – RBNZ 8th – RBNZ MP Statement 8th – ECB 8th – BoE 13th – FOMC 15th – SNB 20th – RBA Minutes 21st – BoJ 21st – BoE Minutes 27th – BoJ Minutes
JANUARY 2012	FEBRUARY 2012	MARCH 2012	APRIL 2012
4th – FOMC Minutes 12th – BoE 12th – ECB 18th – BoC 26th – FOMC 25th – BoE Minutes 25th – BoJ Monthly Report 25th – FOMC 26th – RBNZ 27th – BoJ Minutes	7th – RBA 8th – RBNZ 8th – RBNZ MP statement 9th – BoE 9th – ECB 16th – RBA Minutes 15th – BoE Inflation Report 15th – BoJ Monthly Report 13th – BoJ 17th – BoJ Minutes 21st – RBA minutes 22nd – BoE Minutes	6th – RBA 9th – BoC 8th – ECB 8th – BoE 12th – BoJ 13th – FOMC 14th – BoJ Monthly Report 16th – BoJ Minutes 21st – BoE Minutes 20th – RBA minutes	3rd – RBA 4th – ECB 5th – BoE 9th – BoJ 11th – BoJ Monthly Report 13th – BoJ Minutes 17th – BoC 17th – RBA Minutes 18th – BoE Minutes 25th – FOMC 26th – RBNZ 27th – BoJ
MAY 2012	JUNE 2012	JULY 2012	AUGUST 2012
1st – RBA 3rd – ECB 7th – BoJ Minutes 10th – BoE 15th – RBA Minutes 16th – BoE Inflation Report 22nd – BoJ 23rd – BoE Minutes 24th – BoJ Monthly Report 28th – BoJ Minutes	5th – RBA 5th – BoC 14th – RBNZ 14th – RBNZ MP Statement 7th – BoE 6th – ECB 14th – BoJ 18th – BoJ Monthly Report 19th – RBA Minutes 20th – BoE Minutes 20th – BoJ Minutes 20th – FOMC	3rd – RBA 5th – ECB 5th – BoE 17th – RBA Minutes 17th – BoC 18th – BoE Minutes 26th – RBNZ 31st – FOMC	1st – FOMC 2nd – ECB 2nd – BoE 7th – RBA 8th – BoE Inflation Report 21st – RBA Minutes 15th – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2011, unless specified as minutes or otherwise.

Dates are indicative only and are subject to change by central bank authorities.

Key: BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank.

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2010	2011F	2012F	2013F
Economic activity (annual % change)				
Private final demand	2.2	4.3	5.2	5.9
Household consumption	2.8	2.8	1.8	2.6
Dwelling investment	4.2	1.6	-2.0	7.6
Business investment	0.0	12.0	19.0	14.6
Public demand	9.1	1.5	1.6	1.7
Domestic final demand	3.8	3.7	4.4	4.9
Inventories (contribution to GDP)	0.4	0.3	-0.5	0.0
Gross National Expenditure (GNE)	4.2	3.9	3.9	4.9
Exports	5.7	-0.3	12.3	10.2
Imports	13.7	11.7	14.2	13.4
Net Exports (contribution to GDP)	-1.6	-2.8	-0.8	-1.3
Gross Domestic Product (GDP)	2.7	1.5	3.5	3.6
Prices and wages (annual % change)				
Inflation: Headline CPI	2.8	3.4	2.5	3.6
Underlying (RBA core)	2.8	2.5	2.6	3.0
Wages:	3.3	3.8	3.7	4.1
Labour market				
Employment (annual % change)	2.7	1.7	0.9	2.2
Unemployment rate (annual average %)	5.2	5.1	5.4	5.2
External sector				
Terms of trade (annual % change)	16.4	16.4	-3.9	-7.4
Current account balance: A\$bn	-34.6	-23.8	-41.2	-79.4
% of GDP	-2.6	-1.7	-2.7	-5.0

* Includes carbon tax. ^ Average of RBA trimmed mean and weighted statistical measures

AUSTRALIAN INTEREST RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
RBA cash rate	4.50	4.50	4.25	4.25	4.25	4.25
90 day bill	4.67	4.70	4.60	4.55	4.50	4.50
3 year bond	3.43	3.40	3.20	3.30	3.50	3.60
10 year bond	4.12	4.10	4.00	4.00	4.10	4.20
3s10s yield curve	0.68	0.70	0.80	0.70	0.60	0.60
3 year swap	3.96	3.90	3.70	3.80	3.95	4.05
10 year swap	4.81	4.70	4.60	4.60	4.65	4.75

INTERNATIONAL INTEREST RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
RBNZ cash rate	2.50	2.50	2.50	2.75	3.25	3.25
NZ 90 day bill	2.73	2.72	2.73	3.17	3.50	3.50
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.23	0.20	0.20	0.20	0.20	0.40
US 10 year note	2.06	1.90	1.90	1.90	2.00	2.20
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.25	1.25	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.50

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC 11F	MAR 12F	JUN 12F	SEP 12F	DEC 12F
Australian exchange rates						
A\$/US\$	1.01	0.97	1.00	1.05	1.10	1.10
NZ\$/US\$	0.78	0.77	0.80	0.83	0.86	0.89
A\$/¥	78.6	72.8	75.0	75.6	79.2	79.2
A\$/€	0.75	0.72	0.73	0.75	0.77	0.76
A\$/£	0.64	0.63	0.64	0.66	0.68	0.67
A\$/NZ\$	1.31	1.26	1.25	1.27	1.28	1.24
A\$/C\$	1.03	0.93	0.98	1.04	1.11	1.13
A\$/CHF	0.92	0.89	0.94	1.01	1.08	1.10
A\$/CNY	6.43	6.09	6.19	6.42	6.63	6.55
A\$ Trade weighted index	74.9	71.5	73.0	75.4	78.2	77.4
International cross rates						
US\$/¥	77.6	75.0	75.0	72.0	72.0	72.0
€/US\$	1.36	1.35	1.37	1.40	1.42	1.45
€/¥	105	101	103	101	102	104
£/US\$	1.59	1.55	1.57	1.59	1.61	1.63
€/£	0.85	0.87	0.87	0.88	0.88	0.89
US\$/C\$	1.02	0.96	0.98	0.99	1.01	1.03
US\$/CHF	0.91	0.92	0.94	0.96	0.98	1.00
US\$ index	77.7	78.6	76.6	75.2	74.7	73.9
Asia exchange rates						
US\$/CNY	6.34	6.28	6.19	6.11	6.03	5.95
US\$/HKD	7.78	7.80	7.80	7.80	7.80	7.80
US\$/IDR	9000	8925	8747	8572	8400	8232
US\$/INR	50.2	49.4	48.4	47.4	46.5	45.6
US\$/KRW	1129	1195	1171	1148	1125	1100
US\$/MYR	3.15	3.19	3.16	3.13	3.10	3.06
US\$/PHP	43.4	43.9	43.2	42.6	42.0	41.3
US\$/SGD	1.29	1.31	1.30	1.28	1.27	1.26
US\$/THB	30.84	31.20	31.00	30.90	30.70	30.60
US\$/TWD	30.17	30.60	30.40	30.30	30.10	30.00
US\$/VND	21005	21000	21400	21400	21400	21400
Pacific exchange rates						
PGK/US\$	0.468	0.378	0.372	0.366	0.366	0.366
FJD/US\$	0.553	0.538	0.530	0.522	0.522	0.522

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